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MARKETING CALIFORNIA FRESH MARKET TOMATOES: TRENDS AND OUTLOOK

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MARKETING CALIFORNIA FRESH MARKET TOMATOES: TRENDS AND OUTLOOK

by

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ABSTRACT: California provides about a third of the fresh tomatoes marked commercially in the United States, and is the only domestic source of supplies during the late fall marketing season. This report traces trends in production and marketing of the State's crop in 1948-72.

KEY WORDS: Fresh tomatoes, California, production, marketing.

In 1973, tomatoes ranked second only to lettuce in total U.S. farm value of fresh vegetables. Fresh tomato production yielded U.S. growers more than $300 million (packed and loaded f.o.b. shipping point basis), 18½ percent of total fresh vegetable receipts. California growers grossed $109 million, more than 35 percent of the total.

Both vine-ripe and mature green tomatoes are produced in the State in roughly equal proportions. The marketing season is lengthy—shipments usually begin in late April or early May and continue through December. There are seven distinct producing regions in California, extending from the Mexican border to the northern San Joaquin Valley. In 1973, about 70 packinghouses shipped fresh tomatoes from the State.

Particular emphasis in this report is placed on the competitive position of the State relative to other tomato producing regions.

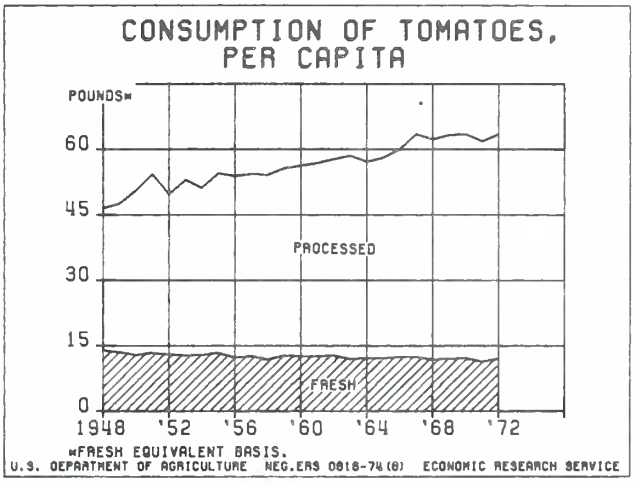

Figure 1

Fresh Tomato Consumption

Figure 1 shows divergent patterns of consumption for fresh and processed tomatoes. Per capita consumption of all tomatoes (both fresh and processed) increased nearly 15 pounds between 1948 and 1972. All of this increase was in canned form, and, in fact, consumption of fresh tomatoes declined 2½ pounds.

What happened? The decline for fresh tomatoes is part of a general shift to processed forms for many fruits and vegetables. In 1947-49, civilian per capita consumption of all fresh and processed vegetables nationally was 200 pounds—60 percent fresh and 40 percent processed. By 1972, these percentages were very nearly reversed—214 pounds, 46 percent fresh and 54 percent processed. Due to their extensive use as a salad item, tomatoes actually fared much better than most other vegetables.

The general shift from fresh to processed is due partially to efficiencies in processing which have reduced the cost of canned, frozen, and dried foods relative to their fresh counterparts, and partly to

strong demand for convenience in food preparation. For tomatoes, increased away-from-home eating, particularly at fast food outlets, has tended to boost consumption of canned tomato products.

U.S. and California Production Trends

Even with the pervasive decline in per capita consumption of fresh tomatoes, population growth has been large enough to yield an expanding market for fresh tomatoes in the United States. The annual increase in domestic consumption has averaged about 1 percent since 1948. The total supply trend is shown in Figure 2. Much of the increase has been in the form of winter crop imports from Mexico. Domestic production, particularly during the last decade, has shown little change. California production contributed most of the year-to-year increase in domestic supplies from 1948 to 1959. But during the early 1960's, State tonnage dropped 15,000 hundredweight in a 5-year span. Production since that time has been rising slightly but substantially less than the earlier rate. In recent years, the State has contributed about 25 to 30 percent of total U.S. supplies of fresh tomatoes.

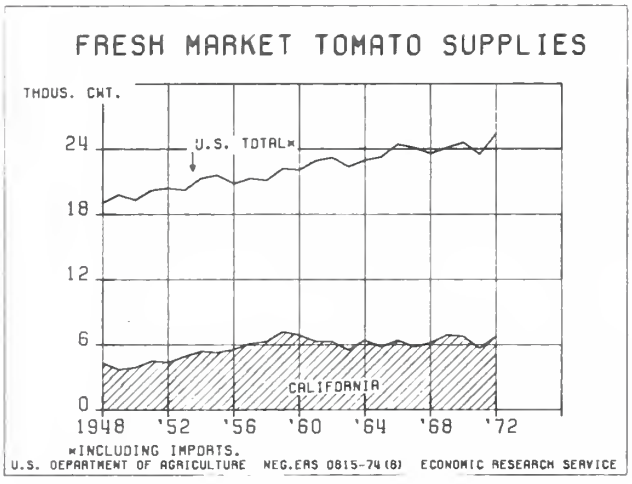

Figure 2

The acreage picture differs (Figure 3). U.S. acreage dropped 41 percent between 1957 and 1972 and in 1958-60, more than 50,000 acres were taken out of production. Remarkably, supplies showed little change during this time (Figure 2) due largely to increased yields and larger imports from Mexico. Some of this acreage decline occurred in Florida, but the lion's share of the drop came from the minor producing States. California acreage has been quite stable at around 30,000 acres over the 1948-72 period.

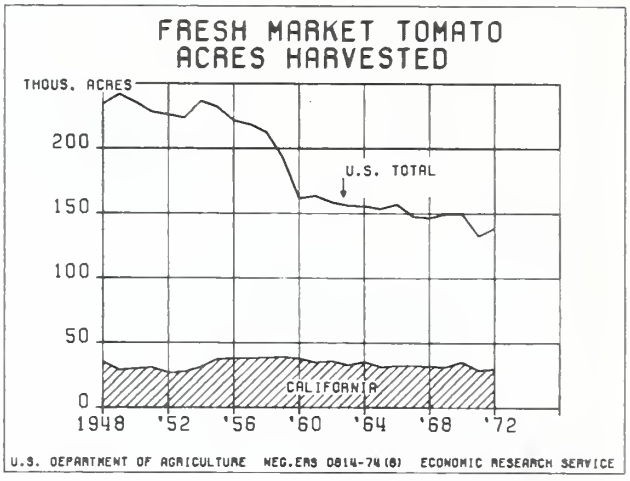

Figure 3

A look at prices suggests an explanation for California's relatively stable production pattern (Figure 4). There was little change in prices between 1948 and 1962 and consequently little incentive to increase fresh tomato acreage. Spring prices showed a small decline while summer and fall prices advanced $1.70 and 60 cents per cwt., respectively. Note that average summer prices moved ahead of fall prices during this period.

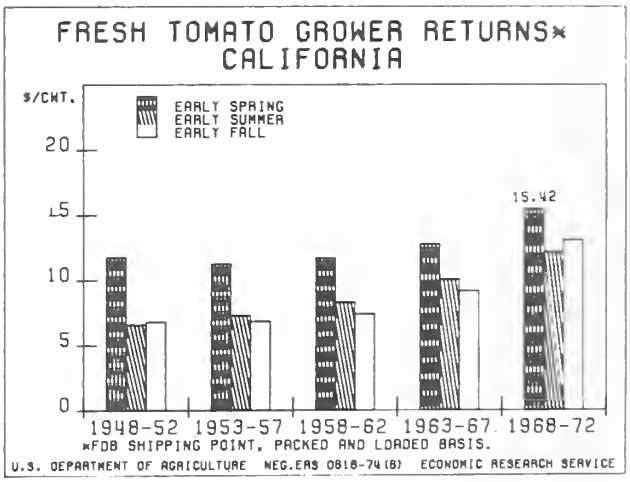

Figure 4

The last 10 years have been characterized by significantly higher gross returns for all three seasonal crops. Price increases between 1958-62 and 1968-72 were $3.70, $3.80, and $5.60, respectively, for the spring, summer, and fall crops. By 1968-72, fall

crop prices had again moved above summer prices. The level of recent prices suggests that fresh tomato production has become more attractive. However, recent cost increases are not shown, specifically container expense and wages, which have served to counter much of the price rise. As a consequence, net returns have not changed enough to greatly affect State plantings.

California Production Shifts

While total State acreage has shown little change, there have been some significant shifts in the location of fresh market tomato acreage. Tabulation below shows the contribution of individual producing districts to total State acreage. Acreage in the Stockton, Merced, and Gonzales-King City districts nearly doubled between 1948-52 and 1968-72. Acreage in Oxnard and the Imperial Valley was about cut in half. Cutler-Orosi and San Diego acreage dropped 14 percent.

Distribution of California Tomato Acreage Among Districts, 1948-52 and 1968-72 averages

District	1948-52	1968-72	Percent of change
	Acres	*Acres*	*Percent*
Chula Vista-Oceanside	5,320	4,618	-14
Imperial Valley	4,020	2,240	-44
Oxnard	5,810	3,154	-46
Cutler-Oresi	3,380	2,860	-15
Gonzales-King City	2,140	4,190	+96
Merced	2,740	5,262	+92
North San Joaquin Valley	4,510	8,720	+93
Other	2,540	636	-75
Total	30,460	31,680	+4

Increased acreage in the mature green districts (Northern San Joaquin Valley, Merced, and Gonzales-King City) and the corresponding drop in the vine-ripe districts (Cutler-Orosi, Oxnard, and Chula Vista-Oceanside) are consistent with a national trend toward mature green production. Underlying this trend is better control of ripening through gassing and the inherently lower costs associated with mature green production and packing. The reduction in Desert acreage is also consistent with what is occurring at the national level. Production in the seasonal class "early spring" has been largely displaced by Mexican imports, late winter supplies from Florida, and production from States classed late spring.

Marketing Patterns

To get a better idea of where California fresh tomatoes are being sold, unload figures from the Agricultural Marketing Service for 1962 through 1972 were evaluated. The data identified the source of monthly rail and truck unloads in 36 major U.S. cities. For 1970-72, California unloads in these cities are shown in Figure 5.

A big part of the State's fresh tomato crop stays close to home—44 percent was unloaded in Western cities, with Los Angeles alone taking about 26 percent. The second biggest market is the East, which absorbs about a quarter of California's annual crop. New York, Boston, and Philadelphia account for most of the Eastern unloads. About a third of the California crop is sold in the South and Midwest. Chicago is the only city in these regions receiving more than 5 percent of the California origin unloads.

Some important changes in the distribution of California fresh tomatoes have occurred since the early 1960's. While the West is still the major market, 1970-72 unloads were 23 percent less than in 1962-64. In contrast, Eastern unloads increased over the same period by almost 70 percent, and Southern and Midwestern cities showed increases of 22 and 49 percent, respectively. The trading area for California fresh market tomatoes has expanded—a larger portion of the total crop is being sold in distant cities. This change is consistent with the shift from vine-ripe to green production.

Although truck shipments outnumber rail, the increase in mature green production and the greater proportion of distant shipping have increased the importance of rail cars to California fresh tomato shippers over the last 10 years. Rail unloads were 28.5 percent of total unloads in 1970-72 compared with 20 percent in 1962-64. Figure 7 shows the rail breakdown for the major regions. As expected, the importance of rail unloads increases with the distance from California. Nearly three-fourths of all shipments to the East were by rail compared to less than 0.5 percent of Western shipments. Of the major receivers of California tomatoes, rail unloads comprise more than half of total unloads in Boston, New York, Philadelphia, Chicago, Houston, and San Antonio.

There were no reported rail unloads of California tomatoes in San Francisco or Los Angeles.

Figure 8 shows both total unloads and California-origin unloads in New York City. As is true for most of the 36 cities examined, California is the major tomato supplier in New York from July through October. In cities closer to the State, the period of California domination is longer. For example, California is practically the only supplier of reported unloads in Los Angeles for 6 months—June through November. Note from the upper portion of the chart that California's share of the New York market increases steadily from May, peaking in October when the State supplies nearly all of the city's tomatoes.

During the period of peak California supplies, terminal market competition (reported unloads) comes largely from other producing States, none of

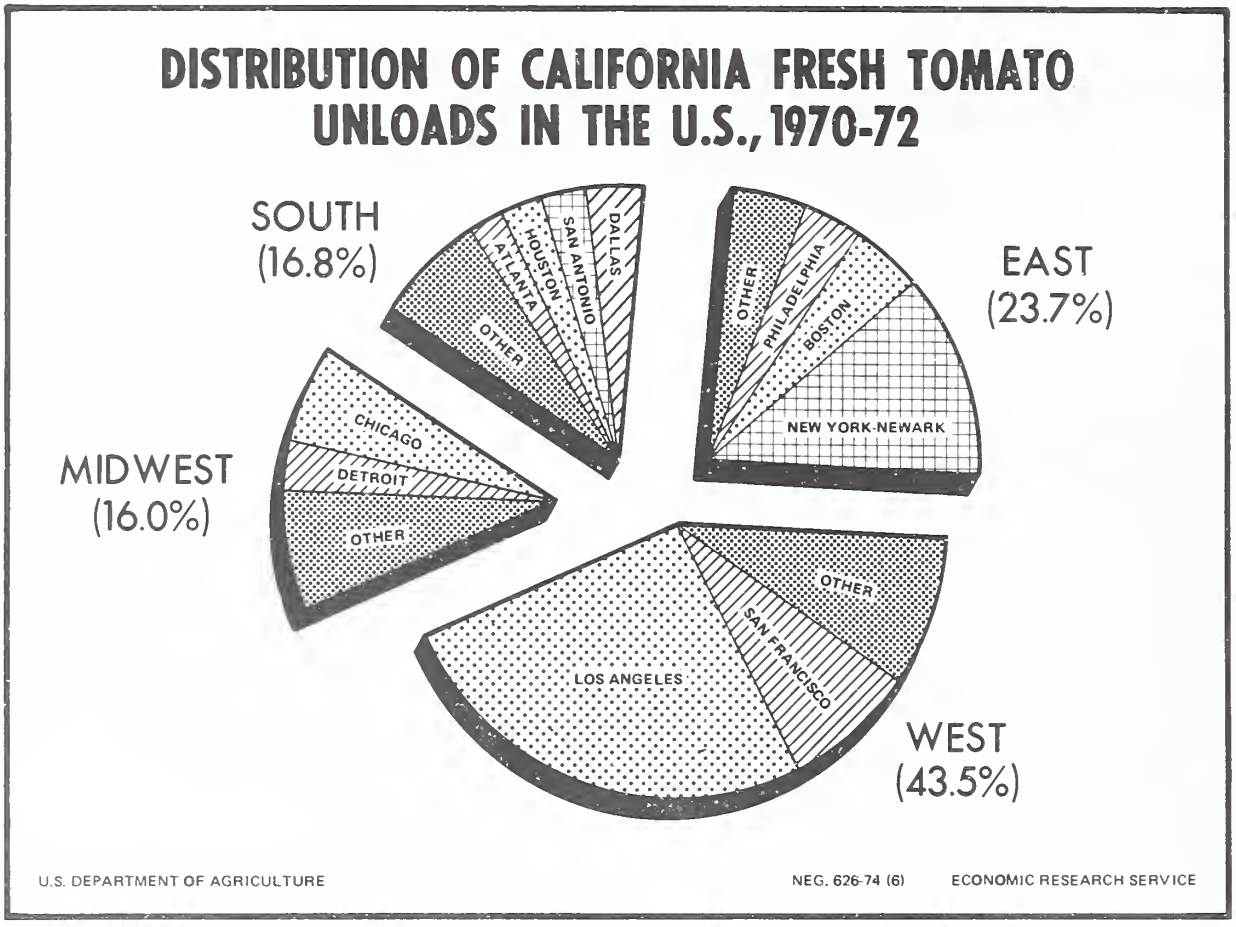

Figure 5

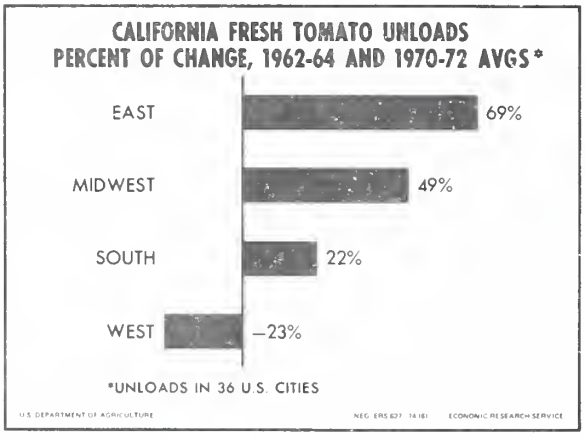

Figure 6

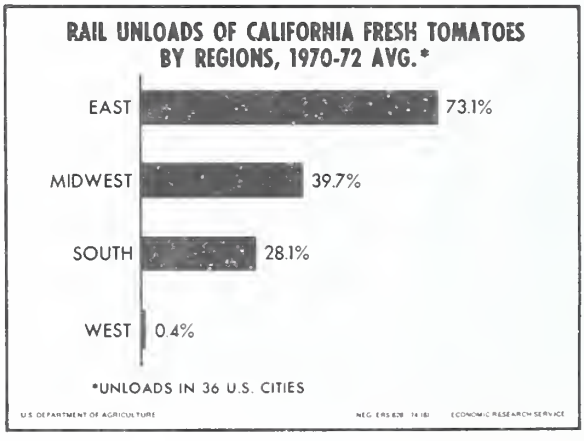

Figure 7

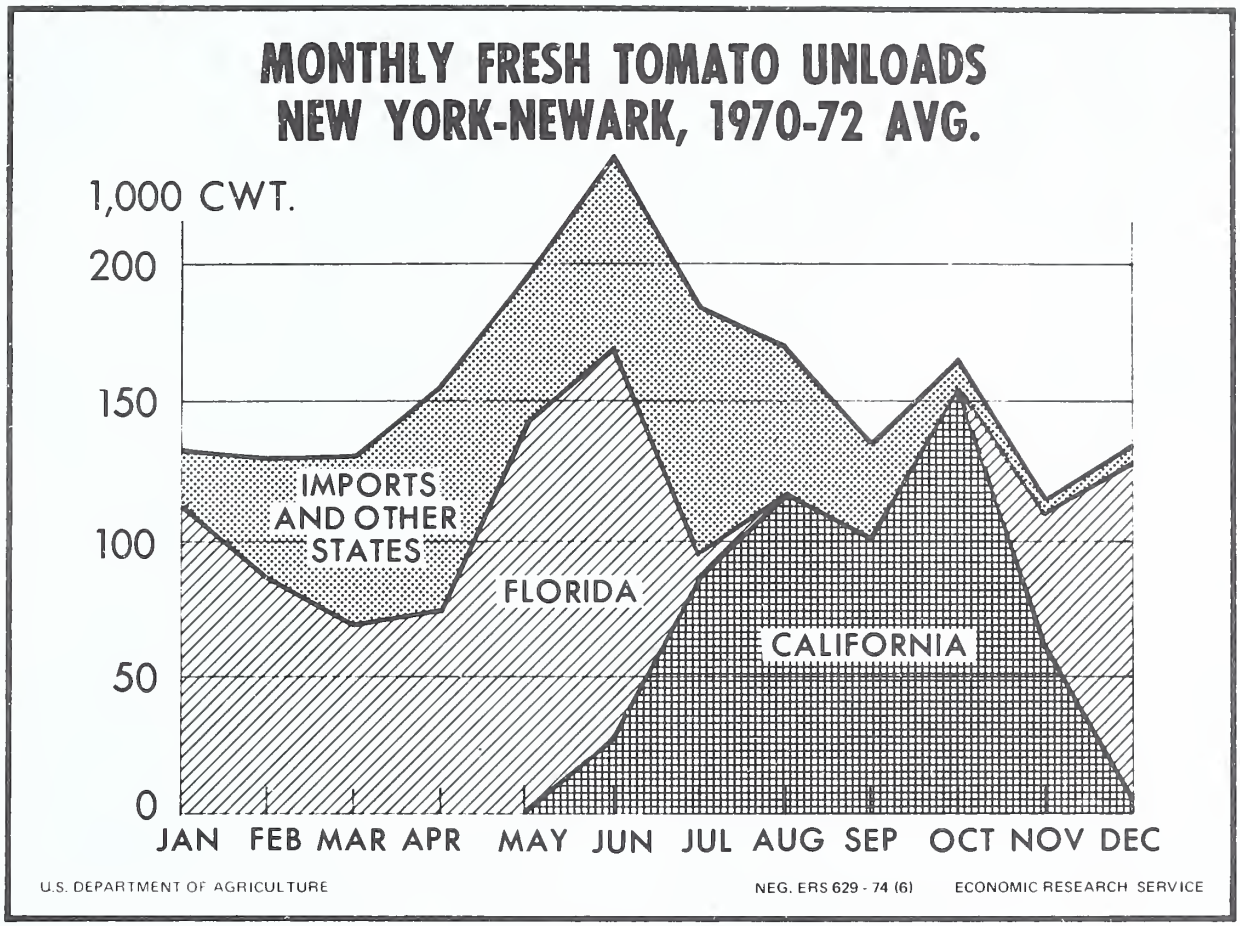

Figure 8

which supplies more than 5 percent of total New York City unloads during 1970-72. It would appear that California is in a highly favorable competitive position. But noting the pattern of total unloads for the city, unloads peak in June and then drop sharply through September. July-September is the peak period of consumption for fresh tomatoes (salads and sandwiches). It is also the peak period for home garden harvests and local fruit stand tomato sales. So a big part of total tomato consumption during this time is being supplied locally and is not reflected in the unload figures. Hence, California may be characterized as supplying an increasing proportion of a declining market during much of its shipping season. A similar pattern of unloads is observed in Midwestern cities.

Changes in the timing of State harvests suggest that such competition with local tomato supplies may be increasing. Figure 9 shows annual California production by seasonal classification for 5-year

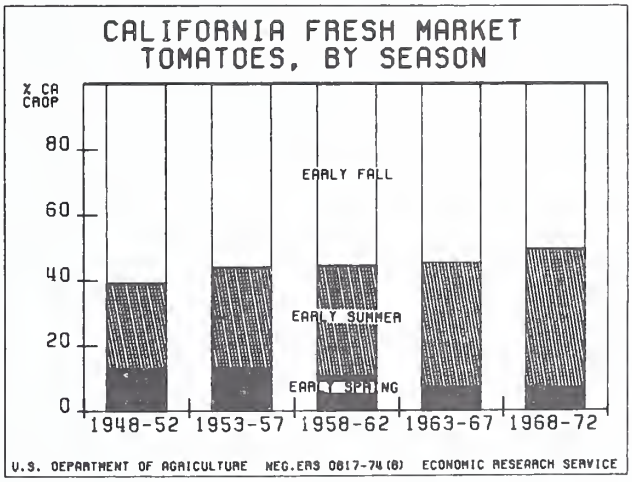

Figure 9

intervals from 1948 to 1972. Note that the early summer crop (July 1 to mid-August) is increasing in importance relative to the spring and fall crops. This is due largely to a tendency for producers of fall mature green tomatoes to obtain some early production in order to extend their packing season. This has the effect of lowering overall packing costs, but this early production has recently sold in weaker markets, due at least partially to the increased supply. There are both positive and negative aspects associated with this trend change in the timing of California harvests.

Outlook

What is the future of California fresh tomato marketing? A big question now is the outlook for the remainder of 1974. Several factors have combined to alter long-standing crop price relationships in the United States and some major shifts in acreage are occurring. Whether these are short-term or fundamental adjustments is not clear. Many growers appear to be expanding acreage of price-secured contracted crops, notably processing tomatoes and dry beans, and simultaneously cutting back plantings of more variably priced open market crops such as fresh tomatoes.

The long-run future of the California fresh tomato industry appears promising. Fresh tomato consumption is positively correlated with incomes, and steadily increasing living standards suggest that per capita consumption can be boosted if a concerted effort is made by the trade to maintain and improve product quality. Steadily rising consumer incomes may also support a larger share of the final price in transport charges, permitting continued specialization in California.

Within the United States, the West will continue to be the most important market for California shippers of fresh tomatoes. However, increases in mature green tomato production at the expense of vine-ripes are expected to continue, thereby increasing sales in distant markets and expanding the State's trading area.